



City of Annapolis

HOUSING AFFORDABILITY TASK FORCE

EXECUTIVE SUMMARY

OF

THE NEEDS ASSESSMENT STUDY REPORT AND THE FEASIBILITY SUBCOMMITTEE REPORT

June 1, 2021

CONTEXT

In the past year, the global pandemic has shown all of us the importance of home. The centrality of housing to the health and well-being of our communities was made abundantly clear. As our country begins to return to normal, we have a unique opportunity to ensure our city returns stronger than before.

Like many cities, Annapolis has a long history of policymaking that has benefitted few but hurt many — particularly low-income communities and non-white residents. The housing policies we created in the past have contributed to inequality, and for decades that inequality has been exacerbated by market forces. The housing affordability crisis in Annapolis is rooted in these policies, which were intentional. Now, to create change, the city must be equally intentional.

Unlike other cities, however, Annapolis is facing a judicial mandate for action. Our housing authority has been historically underfunded and therefore unable to properly upkeep public housing. Because of this, it essentially asked the city to turn a blind eye and exempt public housing from licensing and inspection requirements, and the city complied. Residents later sued the city over public housing conditions, and the city was found culpable of negligence. Now, the Consent Decree resulting from *White, et al. v. City of Annapolis* mandates that Annapolis strengthen its housing market and provide residents with affordable, sustainable and inclusive housing options.

The scope of this crisis and the mandate facing the city, indicate the necessary scale of action needed in response. Over the past nine months, the Housing Affordability Task Force has gathered data to better understand the challenge that lies ahead. Our findings have enabled us to make specific recommendations in line with the needs of our city's residents that will improve housing policy, guide future development, and provide affordable homes for the people of Annapolis.

FINDINGS

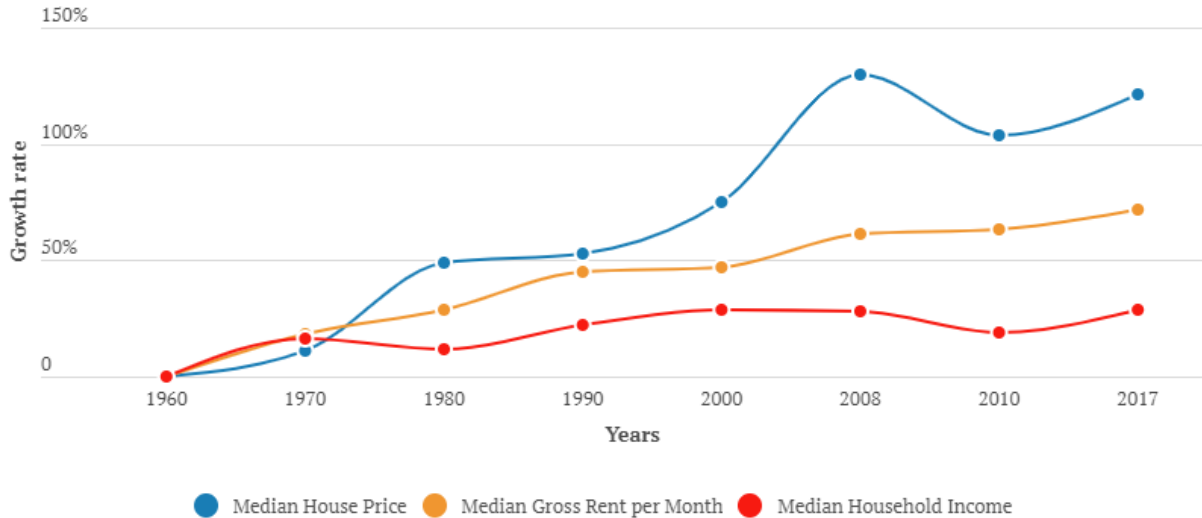
The Housing Affordability Task Force has prepared a detailed report (see the *Needs Assessment Study Report*) that outlines the housing affordability needs for the City of Annapolis. The full assessment report includes an abundance of data from the City of Annapolis as well as sources such as the U.S. Census Bureau and the National Association of Home Builders.

Our findings indicate the following:

- housing costs have increased at a much higher rate than household incomes;
- the City of Annapolis is outpacing most comparable cities in terms of housing costs; and
- rising housing costs hurt not only residents but cities as well because they drive consumers away, preventing growth and causing economic downfall.

When comparing the growth rate of median home prices, rent costs, and household incomes across the United States, it becomes apparent that Annapolis is not alone in the housing affordability crisis. As the graph on the next page shows, median home prices nationwide have increased at four times the rate of household incomes since 1960, leading to imbalanced price-to-income ratios in most major metropolitan areas. Nationwide rents have increased at twice the rate of household incomes since 1960, making saving for a down payment on a home increasingly difficult.

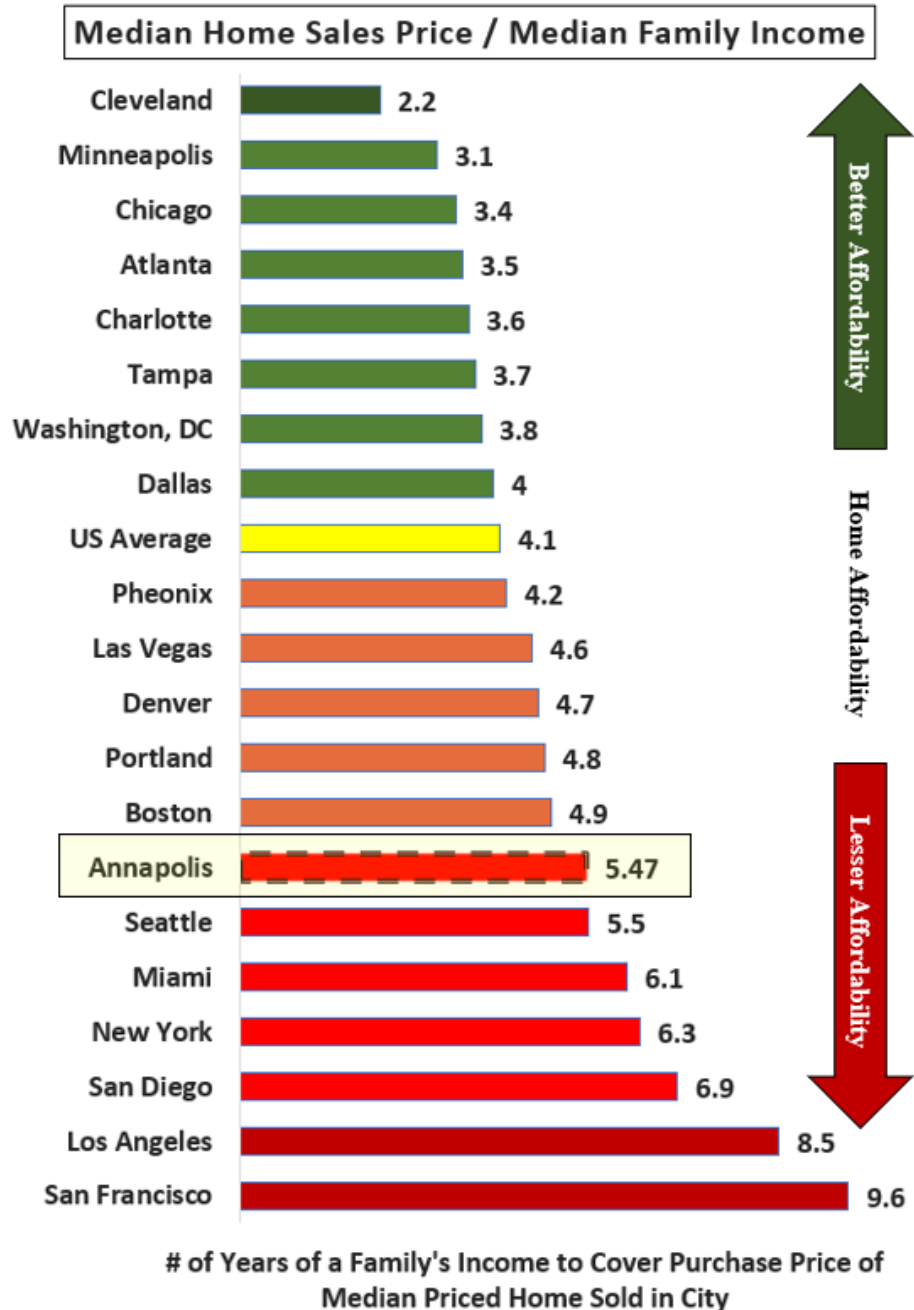
Growth Rate of Median Home Prices v. Median Household Incomes v. Median Rents Nationwide



Note: All of the values are indexed to 1960. Chart only includes data for depicted years.

Source: 1960-2000 Decennial Censuses and 2008, 2010 and 2017 American Community Surveys

However, the City of Annapolis is unique in several ways. Like most American cities, the cost of living in Annapolis has grown considerably over the last few decades and has outpaced the income of most of the city's residents — but in terms of living costs, Annapolis finds itself closer in comparison to major metropolitan cities rather than comparable cities in population or even coastal location. As the chart on the next page shows, in terms of price-to-earnings ratios, Annapolis is more expensive than Washington, D.C. and Boston, MA, and barely less expensive than Seattle, WA and New York City, NY.



Source: HOI National Association of Home Builders – Q2 2020

A healthy price-to-income ratio is 2.6, meaning it would take 2.6 years of median household income to purchase the median home. The above bar chart shows that the City of Annapolis price-to-income ratio is more than twice that currently, at 5.47. According to the U.S. Census Bureau, the median household income in the City of Annapolis is \$83,948. Zillow reporting shows that the typical home cost in Annapolis is \$459,118. For reference, the median home cost in the State of Maryland is \$294,100. The typical home cost (\$459,118) divided by the median household income (\$83,948) equals 5.47. This price-to-income ratio shows that, when it comes to purchasing a home, Annapolis is one of the most expensive cities in the United States.

Factors putting market pressure on housing and forcing residential unit prices to outpace incomes within Annapolis include:

- limited space for continued development;
- poor urban planning throughout the city's history which did not account for maximum build-out (the city still does not have a max-build-out plan);
- a widening income gap between residents; and
- wealthy investors buying up properties.

When analyzing the history of development within the City of Annapolis, it becomes evident that the city's government as well as its residents prioritized single-family homes (SFHs) over medium- and high-density developments. Over decades, this created a highly competitive market around the few remaining areas suitable for development. The perpetual lack of developable space has also resulted in the city having far fewer development options today than it would have had even one or two decades ago.

Our analysis identified 176.817 acres in the city that are available for development. Even if all of these available acres go to housing, Annapolis will quickly face skyrocketing land values within the next decade or two if the city does not proactively move toward high-density residential development. Current population growth rates indicate that Annapolis would need to develop more than 112 residential units every year to keep housing supply and demand roughly equal. Annapolis is presently averaging a little more than half that figure. This increases property values and makes renting or purchasing a home more difficult.

The table below demonstrates two build-rate scenarios. If all available acres are developed with SFHs at current development rates needed to maintain balance between supply and demand, Annapolis will have no available land (unless more parcels are made available through park conversion or other means) after approximately 18 years. However, if the available acres were used for higher-density residential developments such as townhomes, it would instead take 60 years to reach that point.

Home Type	Average Acreage	Acres Available	Residential Units	Years to Zero Parcels (build rate of 65 units per year)	Years to Zero Parcels (build rate of 112 units per year)
Single-Family Detached Home	0.15	176.817	1,179	18	10.525
Town/Rowhome	0.045	176.817	3,929	60	35.083

RECOMMENDATIONS

The Housing Affordability Task Force Feasibility Subcommittee was charged with reviewing each of the policies and recommendations presented through the needs assessment process. Our charge required an evaluation of organizational, financial and legal feasibility for each policy or recommendation. From that review, ten recommendations for action were identified as affirmatively meeting those criteria. We have prepared a detailed report (see the *Feasibility Subcommittee Report*) that outlines the following ten recommendations in detail.

TEN-POINT PLAN

1. Re-imagine the Housing Authority of the City of Annapolis (HACA) as a leader of a city housing council serving all citizens of Annapolis.
2. Create, expand, preserve the inventory of, and manage the supply of units available for those seeking affordable housing.
3. Enhance the current Affordable Housing Trust Fund.
4. Modify current city codes, zoning and departmental practices to better support achieving housing affordability goals.
5. Establish an ongoing education and outreach program on housing affordability for residents, tenants and developers/contractors.
6. Prepare for, and apply for, a federally funded Choice Neighborhood Initiative (CNI) grant.
7. Support HACA's application and participation in HUD's Rental Assistance Demonstration (RAD) project and other associated community development programs.
8. Advocate for, and facilitate federal tax credit financing through, the Low-Income Housing Tax Credit (LIHTC) program.
9. Establish a dedicated city land trust for Annapolis to support housing affordability.
10. Implement limits to rent increases.

These recommendations are organizationally viable, financially attainable and legally permissible. Taken together and considered as an integrative approach, they will provide a low-cost, inclusive, and equitable yet sustainable solution which ensures that all who want to live in Annapolis can afford to call Annapolis their home. We believe that the adoption of these recommendations will serve as a framework for a coordinated approach to achieving the goal of a minimum of 3,361 new residential units by the year 2050, for an average build-out or redevelopment of 112 new residential units per year, every year.

It should be noted that this Ten-Point Plan is only a first step — future success resulting in new, affordable units, preserving affordability for existing residents, and improving neighborhood conditions is a multi-year effort. A professional market study regarding needs and opportunities for this housing may be required for certain funding programs.

This approach also requires the active partnership and collaborative efforts of our city's elected officials, our county government, our state legislature, the Annapolis Housing Authority, and the U.S. Department of Housing and Urban Development, as well as local nonprofit and for-profit organizations and commercial entities. Most importantly, full community engagement — wherein input is heard and incorporated — will ensure that all residents and businesses believe their vision for their city is considered. If immediate action is taken to move these policies and programs forward, Annapolis can ensure housing affordability for all and foster reinvestment back into the city for generations to come.